

# Annual Financial Statements

for

## ***DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY***

for the year ended 30 June: **2011**

Province:

**Mpumalanga**

AFS rounding:

***R (i.e. only cents)***

### **Contact Information:**

<b>Name of Municipal Manager:</b>	WJM MNGOMEZULU
<b>Name of Chief Financial Officer:</b>	JOHAN LINDE
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**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

**General information**

**Members of the Council**

Phalaborwa Vincent Malatsi  
Zilindile Hamilton Luhlanga  
Thokozani Alfred Mazibuko  
Busisiwe Goodness Mavuso  
Tshuba Paulina Dakile  
Nomgqibelo Emma Hlakutse  
Lodewyk De Jager  
Melusi Selby Mndebele  
Fanyana Joshua Mazibuko  
Thulani Obed Shabangu  
Esther Mapaseka Thwala  
Bheki Jachonia Mhlanga  
Mbongiseni Stanley Motha  
Zodwa Eunice Dlodlu  
Phumzile Maureen Mazibuko  
Velaphi Ntshalintshali  
Paul Ryk Roux De Kock  
Cornelius Hendrick  
Anna Catharina Elizabeth Botha  
Selina Nomlindelo Nxumalo  
Thulani Emmanuel Mbokane

**Executive Mayor**  
**Speaker**  
**Council Whip**  
**Member of the Mayoral Committee**  
**Member of the Mayoral Committee**  
**Ward Councillor**  
**Ward Councillor**  
**Ward Councillor**  
**Ward Councillor**  
**Ward Councillor**  
**Ward Councillor**  
**Ward Councillor**  
**Ward Councillor**  
**Ward Councillor**  
**Proportional Representative**  
**Proportional Representative**  
**Proportional Representative**  
**Proportional Representative**  
**Proportional Representative**  
**Proportional Representative**

**Municipal Manager**

WJM MNGOMEZULU

**Chief Financial Officer**

JOHAN LINDE

**Grading of Local Authority**

Medium sized

**Auditors**

Auditor-General

**Bankers**

First National Bank Limited

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
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**General information (continued)**

**Registered Office:** Volksrust

**Physical address:**

**DR PIXLEY KA ISAKA SEME MUNICIPALITY**  
C/O Nelson Mandela and Adelaide Tambo Streets  
VOLKSRUST  
2470

**Postal address:**

**DR PIXLEY KA ISAKA SEME MUNICIPALITY**  
PRIVATE BAG X9011  
VOLKSRUST  
2470

**Telephone number:** 017 734 6100

**Fax number:** 086 630 2209

**E-mail address:** [records@pixleykaseme.co.za](mailto:records@pixleykaseme.co.za)

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
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**Approval of annual financial statements**

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 5 to 59 in terms of Section 126(1) of the Municipal Finance Management Act 2003 (Act 56 of 2003) and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 23 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the remuneration of Public Office Bearers Act 1998 (Act 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

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WJM Mngomezulu

Municipal Manager

*DATE*

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
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**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION**

as at 30 June 2011

	Note	2011 R	2010 R
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	1	28 602 346	45 159 780
Unit trusts		368 439	-
Trade and other receivables	2	69 113 385	63 753 899
Other receivables	3	15 068 000	20 496 672
Inventories	4	604 667	468 140
VAT receivable	11	3 227 245	-
<b>Non-current assets</b>			
Non-current receivables	5	-	16 012
Property, plant and equipment	6	721 176 740	917 076 057
Intangible assets	7	14 769	11 241
<b>Total assets</b>		<b>838 175 591</b>	<b>1 046 981 801</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	8	22 346 039	47 696 640
Consumer deposits	9	1 608 865	1 601 359
VAT payable	10	-	11 481 422
Finance lease liability	14	200 213	313 590
Provisions	12	3 023 262	503 224
Current portion of unspent conditional grants and receipts	13	13 732 825	17 948 349
<b>Non-current liabilities</b>			
Finance lease liability	14	14 014	214 229
<b>Total liabilities</b>		<b>40 925 218</b>	<b>79 758 813</b>
<b>Net assets</b>		<b>797 250 373</b>	<b>967 222 987</b>
<b>NET ASSETS</b>			
Non distributable reserve		952 893 109	952 893 109
Other reserves		-	191 145 403
Accumulated surplus / (deficit)		(155 642 736)	(176 815 525)
<b>Total net assets</b>		<b>797 250 373</b>	<b>967 222 987</b>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ending 30 June 2011

	Note	2011 R	2010 R
<b>Revenue</b>			
Property rates	15	14 622 003	13 722 906
Service charges	16	64 071 964	50 135 930
Rental of facilities and equipment	17	571 205	273 652
Interest earned - current account	18	389 563	1 421 393
Interest earned - call account	18	1 532 026	-
Interest earned - outstanding receivables	19	7 460 000	6 625 236
Fines		421 256	191 969
Licences and permits		2 970 263	2 704 404
Government grants and subsidies	20	110 465 607	53 836 664
Other income	21	19 053 275	265 750
<b>Total revenue</b>		<b>221 557 162</b>	<b>129 177 904</b>
<b>Expenses</b>			
Employee related costs	22	58 016 577	50 943 615
Contract workers costs		831 003	-
Remuneration of councillors	23	5 407 898	5 350 489
Provision for leave		3 023 262	-
Bad debts		24 506 170	-
Depreciation and amortisation expense	24	218 626 149	219 865 058
Repairs and maintenance		6 445 651	5 412 550
Lease finance costs	25	34 777	59 501
Bulk purchases	26	22 665 749	20 172 830
Contracted services	27	2 597 602	2 849 018
Grants and subsidies paid	28	15 363 233	252 988
General expenses	29	34 010 589	26 793 963
Other expenses		-	681 158
<b>Total expenses</b>		<b>391 528 660</b>	<b>332 381 170</b>
Asset writeoff	30	(1 116)	-
<b>Deficit for the period</b>		<b>(169 972 614)</b>	<b>(203 203 266)</b>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS**  
as at 30 June 2011

		Revaluation Reserve	Capital Replacement Reserve	Government Grant Reserve	Capitalisation Reserve	Employee Benefit Fund	Depreciation Reserve	Total: Reserves	Accumulated Surplus	Total: Net Assets
	Note	R	R	R	R	R	R	R	R	R
<b>Balance at 30 June 2009</b>		52 076 403	8 873 039	67 499 813	35 324 361	1 324 727	26 691 463	191 789 806	26 387 740	218 177 546
Changes in accounting policy	33	952 893 109						952 893 109		952 893 109
<b>Restated balance</b>		<b>1 004 969 512</b>	<b>8 873 039</b>	<b>67 499 813</b>	<b>35 324 361</b>	<b>1 324 727</b>		<b>1 144 682 915</b>	<b>26 387 740</b>	<b>1 171 070 655</b>
Change in accounting policy (*)	33	-					-	-		-
Surplus / (deficit) for the period						(644 403)		(644 403)	(203 203 266)	(203 847 669)
<b>Balance at 30 June 2010</b>		<b>1 004 969 512</b>	<b>8 873 039</b>	<b>67 499 813</b>	<b>35 324 361</b>	<b>680 324</b>	<b>26 691 463</b>	<b>1 144 038 512</b>	<b>(176 815 526)</b>	<b>967 222 987</b>
Correction of prior period error						-			-	-
<b>Restated balance</b>		<b>1 004 969 512</b>	<b>8 873 039</b>	<b>67 499 813</b>	<b>35 324 361</b>	<b>680 324</b>	<b>26 691 463</b>	<b>1 144 038 512</b>	<b>(176 815 526)</b>	<b>967 222 987</b>
Transfers to / from accumulated surplus/(deficit)										-
Surplus / (deficit) for the period		(52 076 403)	(8 873 039)	(67 499 813)	(35 324 361)	(680 324)	(26 691 463)	(191 145 403)	191 145 403	-
<b>Balance at 30 June 2011</b>		<b>952 893 109</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>952 893 109</b>	<b>(155 642 736)</b>	<b>797 250 373</b>

(\*) - See note 33 for details of accounting policy



# DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY

## CASH FLOW STATEMENT

as at 30 June 2011

	Note	2011 R	2010 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts		195 537 961	129 177 906
Sales of goods and services		75 690 765	67 294 612
Grants received		110 465 607	53 836 665
Interest received		9 381 589	8 046 629
Payments		187 665 611	92 572 726
Employee costs		58 016 577	50 943 615
Remuneration of councillors		5 407 898	5 350 489
Suppliers		108 877 903	36 278 622
Grants paid		15 363 233	-
<b>Net cash flows from operating activities</b>	31	<b>7 872 350</b>	<b>36 605 180</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets (PPE)		(23 706 092)	(474 740)
Acquisition of intangible assets		(6 884)	(11 926)
Proceeds from sale of properties		-	1 426 472
Acquisition of investment in unit trusts		(368 439)	-
Decrease/(Increase) in Loans and receivables		-	(79 334)
<b>Net cash flows from investing activities</b>		<b>(24 081 415)</b>	<b>860 472</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings (including interest)		(348 369)	(688 382)
Increase in provisions		-	(1 485 000)
<b>Net cash flows from financing activities</b>		<b>(348 369)</b>	<b>(2 173 382)</b>
<b>Net increase / (decrease) in net cash and cash equivalents</b>		<b>(16 557 434)</b>	<b>35 292 270</b>
<b>Net cash and cash equivalents at beginning of period</b>		<b>45 159 780</b>	<b>9 867 510</b>
<b>Net cash and cash equivalents at end of period</b>	32	<b>28 602 346</b>	<b>45 159 780</b>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
for the year ending 30 June 2011

**1 BASIS OF ACCOUNTING**

**1.1 BASIS OF PRESENTATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

**1.2 PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

**1.3 GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

**1.4 COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

## **SUMMARISED GRAP STANDARDS AND INTERNATIONAL FINANCIAL REPORTING**

### **1.5 STANDARDS (IFRS)**

The standards in application are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 3	
GRAP 4	The effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separated Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-Current Assets held for sale and discontinued operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
IFRS 7	Financial Instruments-Disclosure
IFRS 8	Operating Segments
IAS39	Financial Instruments-Recognition and Measurements

## **2 PROPERTY, PLANT AND EQUIPMENT**

### **2.1 INITIAL RECOGNITION**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

## **2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)**

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

## **2.3 SUBSEQUENT MEASUREMENT - COST MODEL**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

## **2.4 DEPRECIATION AND IMPAIRMENT**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

<b>Infrastructure</b>		<b>Other</b>	
Roads and Paving	4 years	Buildings	30 years
Electricity	13 years	Specialist vehicles	1.5 years
Water	8.5 years	Other vehicles	2 years
Sewerage		Furniture and fittings	4 years
		Bins and containers	2 years
		Conservancy Tankers	53.2 years
<b>Finance lease assets</b>		Military equipment	3 years
Office equipment	3 years	Computer equipment	3.6 years

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

## **2.5 DERECOGNITION**

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## **3 INTANGIBLE ASSETS**

### **3.1 INITIAL RECOGNITION**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

### **3.2 SUBSEQUENT MEASUREMENT - COST MODEL**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

### **3.3 DERECOGNITION**

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## **4 INVESTMENT PROPERTY**

### **4.1 INITIAL RECOGNITION**

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

### **4.2 SUBSEQUENT MEASUREMENT - COST MODEL**

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

### **4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL**

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

## **5 NON-CURRENT ASSETS HELD FOR SALE**

### **5.1 INITIAL RECOGNITION**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

### **SUBSEQUENT**

### **5.2 MEASUREMENT**

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

## **6 INVENTORIES**

### **6.1 INITIAL RECOGNITION**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### **6.2 SUBSEQUENT MEASUREMENT**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

## **7 FINANCIAL INSTRUMENTS**

### **7.1 INITIAL RECOGNITION**

Financial instruments are initially recognised at fair value.

### **7.2 SUBSEQUENT MEASUREMENT**

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

#### **7.2.1 INVESTMENTS**

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

#### **7.2.2 TRADE AND OTHER RECEIVABLES**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

#### **7.2.3 TRADE PAYABLES AND BORROWINGS**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

#### **7.2.4 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.



Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

## **8 INVESTMENTS IN ASSOCIATES**

An associate is an entity in which the investor has significant influence and which is neither a controlled entity nor a joint venture of the investor. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The municipality exercises judgement in the context of all available information to determine if it has significant influence over an investee.

The equity method involves recognising the investment initially at cost, then adjusting for any change in the investor's share of net assets of the associate since it acquired it. A single line-item in the Statement of Financial Performance presents the investor's share of the associate's surplus or deficit for the year.

The municipality commences accounting for an investment in an associate from the date that significant influence exists and discontinues the application of the equity method when it no longer has significant influence over an associate. Investments that are retained in whole or in part are subsequently accounted for in accordance with the accounting policies on subsidiaries, joint ventures or financial instruments depending on the nature of the retained investment.

The municipality uses the most recent available financial statements of the associate in applying the equity method. Where the reporting periods of the associate and the municipality are different, separate financial statements for the same period are prepared by the associate unless it is impracticable to do so. When the reporting dates are different, the municipality makes adjustments for the effects of any significant events or transactions between the investor and the associate that occur between the different reporting dates. Adjustments are made to ensure consistency between the accounting policies of the associate and the municipality.

## **9 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **10 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **11 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **12 PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

## **13 LEASES**

### **MUNICIPALITY AS LESSEE**

#### **13.1**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

### **13.2 MUNICIPALITY AS LESSOR**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

## **14 REVENUE**

### **14.1 REVENUE FROM EXCHANGE TRANSACTIONS**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

#### **14.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

#### **14.3 GRANTS, TRANSFERS AND DONATIONS**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

## **15 BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

## **16 RETIREMENT BENEFITS**

The municipality provides retirement benefits for its employees and councillors.

Defined contribution plans

Obligations for contributions to defined contributions plans are recognised as an expense in the income statement as incurred. Contributions to the defined pension plan in respect of service in a particular period are included in the employees total cost of employment and are charged to the statement of financial performance in the year to which they relate as part of cost of employment.

Post employment medical care benefits

The municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employee remaining in service up to retirement age and the completion of a minimum service period. The expected cost of these is accrued over the period of employment.

## **17 CONSTRUCTION CONTRACTS AND RECEIVABLES**

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

## **18 IMPAIRMENT OF ASSETS**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	2011 R	2010 R
<b>1 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents consist of the following:		
Cash on hand	-	1 700
Cash at bank	9 012 930	6 554 995
Call deposits	19 589 416	38 603 085
	<u>28 602 346</u>	<u>45 159 780</u>
The Municipality has the following bank accounts: -		
<b><u>Current Account (Primary Bank Account)</u></b>		
First National Bank Limited - Volkrust Branch: Account Number 54180010025		
Cash book balance at beginning of year	<u>(192 960)</u>	<u>2 432 905</u>
Cash book balance at end of year	<u>9 012 930</u>	<u>6 554 995</u>
Bank statement balance at beginning of year	<u>2 118 575</u>	<u>7 446 349</u>
Bank statement balance at end of year	<u>9 012 930</u>	<u>2 558 973</u>
<b><u>Money Market Account</u></b>		
FNB Bank Limited - Volksrust Branch: Money Market Account Number 62092639875		
Cash book balance at beginning of year	<u>-</u>	<u>5 000 000</u>
Cash book balance at end of year	<u>19 589 416</u>	<u>38 603 085</u>
Bank statement balance at beginning of year	<u>-</u>	
Bank statement balance at end of year	<u>19 589 416</u>	<u>-</u>
<b><u>Cash on hand</u></b>	<u>-</u>	<u>1 700</u>
Total cash and cash equivalents	<u>28 602 346</u>	<u>45 159 780</u>
Total bank overdraft	<u>-</u>	<u>-</u>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
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2	<b>TRADE AND OTHER RECEIVABLES</b>	<b>Gross Balances</b>	<b>Provision for</b>	<b>Net Balance</b>
		<b>R</b>	<b>Doubtful Debts</b>	<b>R</b>
			<b>R</b>	
	<b><u>Trade receivables</u></b>			
	<b>as at 30 June 2011</b>			
	Service debtors			
	Electricity	10 980 402	(3 537 841)	7 442 561
	Water	28 685 899	(8 360 419)	20 325 480
	Sewerage	17 052 919	(7 171 247)	9 881 672
	Refuse	10 832 802	(4 789 146)	6 043 656
	<b>Total</b>	<b>67 552 022</b>	<b>(23 858 654)</b>	<b>43 693 368</b>
	<b><u>Other receivables</u></b>	<b>25 420 017</b>	<b>-</b>	<b>25 420 017</b>
	<b>Other receivables</b>	<b>25 420 017</b>	<b>-</b>	<b>25 420 017</b>
	<b>Total Trade and other receivables</b>	<b>92 972 039</b>	<b>(23 858 654)</b>	<b>69 113 385</b>
	<b>as at 30 June 2010</b>			
	Service debtors			
	Electricity	14 366 772	(7 057 834)	7 308 938
	Water	19 505 727	(4 220 943)	15 284 784
	Sewerage	15 469 835	(3 425 796)	12 044 039
	Refuse	8 562 436	(1 912 204)	6 650 232
	<b>Total</b>	<b>57 904 770</b>	<b>(16 616 777)</b>	<b>41 287 993</b>
	Other receivables	22 465 906	-	22 465 906
	<b>Other receivables</b>	<b>22 465 906</b>	<b>-</b>	<b>22 465 906</b>
	<b>Total Trade and other receivables</b>	<b>80 370 676</b>	<b>(16 616 777)</b>	<b>63 753 899</b>
			<b>2011</b>	<b>2010</b>
			<b>R</b>	<b>R</b>
	<b><u>Rates: Ageing</u></b>			
	Current (0 – 30 days)		718 832	735 554
	31 - 60 Days		668 613	627 897
	61 - 90 Days		532 651	512 073
	Over 90 days		17 378 122	15 102 796
	Correction of prior period error		-	(1 170 550)
	<b>Total</b>		<b>19 298 218</b>	<b>15 807 770</b>
	<b><u>Electricity, Water and Sewerage: Ageing</u></b>			
	Current (0 – 30 days)		6 481 739	2 949 896
	31 - 60 Days		2 316 972	2 574 570
	61 - 90 Days		2 349 654	2 735 354
	Over 90 days		45 570 857	34 338 652
	Correction of prior period error		-	6 743 862
	<b>Total</b>		<b>56 719 222</b>	<b>49 342 334</b>



**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
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<b>Summary of Debtors by Customer Classification</b>	<b>Consumers</b>	<b>Industrial / Commercial/ Agriculture</b>	<b>National and Provincial Government</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>as at 30 June 2011</b>			
Current (0 – 30 days)	4 517 539	2 154 929	262 347
31 - 60 Days	1 757 117	1 295 249	279 811
61 - 90 Days	1 620 035	1 253 002	232 009
Over 90 days	41 675 823	35 056 385	2 867 794
Sub-total	<b>49 570 513</b>	<b>39 759 565</b>	<b>3 641 961</b>
Less: Provision for doubtful debts	(12 960 859)	(10 897 795)	-
<b>Total debtors by customer classification</b>	<b>36 609 654</b>	<b>28 861 770</b>	<b>3 641 961</b>

	<b>Consumers</b>	<b>Industrial / Commercial/ Agriculture</b>	<b>National and Provincial Government</b>
<b>as at 30 June 2010</b>			
Current (0 – 30 days)	3 647 427	280 761	1 189 768
31 - 60 Days	2 485 525	288 516	841 056
61 - 90 Days	2 687 875	183 807	714 771
Over 90 days	52 347 557	4 545 641	4 915 863
Sub-total	<b>61 168 384</b>	<b>5 298 725</b>	<b>7 661 458</b>
Less: Provision for doubtful debts	(15 292 096)	(1 324 681)	-
Correction of prior period error (See note 33)	6 242 109	-	-
<b>Total debtors by customer classification</b>	<b>52 118 397</b>	<b>3 974 044</b>	<b>7 661 458</b>

**2011**  
**R**

**2010**  
**R**

**Reconciliation of the doubtful debt provision**

Balance at beginning of the year	16 616 777	35 172 183
Contributions to provision	7 241 877	-
Reversal of provision	-	(18 555 406)
<b>Balance at end of year</b>	<b>23 858 654</b>	<b>16 616 777</b>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2011**

**Trade and other receivables past due but not impaired**

Consumer debtors disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The average credit period on services 30 days. Interest is charged on consumer debtors for the first 60 days from the date of the invoice. Thereafter, interest is charged at 2% per annum on the outstanding balance. The Municipality has recognised an allowance for doubtful debts of 40% against all consumer debtors over 90 days because historical experience has been that consumer debtors that are past due beyond 90+ days are difficult to recover. Allowances for doubtful debts are recognised against consumer debtors between 60 days and 90 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty.

Of the consumer debtors balance at the end of the year, R81.1 million is due from Consumers and R8.2 million from Industrial/Commercial, and R3.6 million from National and Provincial and National Governments. There are no other consumers who represent more than 5% of the total balance of consumer debtors.

Consumer debtors disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Municipality has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts (which include interest accrued after the receivable is more than 60 days outstanding) are still considered recoverable. The Municipality does not hold any collateral or other credit enhancements over these balances.

A meeting was held with the Executive Mayor to offer the community a 40% discount on all outstanding balances. Those who might not be able to pay the total may enter into an arrangement to settle the remaining 60% in instalments. Based on the information, we believe that a 40% provision for consumer debtors over 90+ days is reasonable.

	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
<b>The ageing of amounts past due but not impaired is as follows:</b>		
1 month past due	3 332 177	3 615 097
2 months past due	2 988 025	3 586 453
3 months past due	55 858 368	61 809 061
Correction of prior period error		6 242 109
Total provision		(16 616 777)
	62 178 570	58 635 943

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**2011**                      **2010**  
**R**                              **R**

**Trade and other receivables impaired**

As of 30 June 2011, trade and other receivables of R79,605,245 (2010: R59,764,880) were impaired and provided for.

The amount of the provision was R23,858,654 as of 30 June 2011 (2010: R16,616,777).

The ageing of these receivables is as follows:  
3 to 6 months

79 605 245                      59 764 880

The fair value of trade and other receivables approximates their carrying amounts.

**3 OTHER RECEIVABLES**

Loan debtors	-	63 324
Consumer services	-	579 298
EPWP grant not received	15 068 000	-
Other debtors	-	(762 299)
Bank and cash suspense	-	20 616 349
<b>Total Other Debtors</b>	<b>15 068 000</b>	<b>20 496 672</b>

**4 INVENTORIES**

**Opening balance of inventories:**

Consumable stores - at cost	<b>468 140</b>	<b>468 140</b>
Water	364 451	364 451
	103 689	103 689

**Additions:**

Consumable stores	-	-
Water	-	-

**Issued (expensed):**

Consumable stores	<b>136 527</b>	-
Water	79 590	-
	56 937	-

**Write-down / (reversal of write-down) to Net**

**Replacement Value (NRV) or Net**

**Replacement Cost (NRC):**

Consumable stores	-	-
Water	-	-

**Closing balance of inventories:**

Consumable stores	<b>604 667</b>	<b>468 140</b>
Water	444 041	364 451
	160 626	103 689

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	2011 R	2010 R
<b>5 NON-CURRENT RECEIVABLES</b>		
Advance Bowling Club	-	16 012
	-	16 012
Less : Current portion transferred to current receivables	-	-
Advance Bowling Club	-	-
<b>Total</b>	<b>-</b>	<b>16 012</b>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**6 PROPERTY, PLANT AND EQUIPMENT**

<b>6.1 Reconciliation of Carrying Value</b>	<b>Land</b>	<b>Buildings</b>	<b>Infrastructure</b>	<b>Community</b>	<b>Other Assets</b>	<b>Finance lease assets</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>as at 1 July 2010</b>	<b>118 516 500</b>	<b>78 723 112</b>	<b>707 744 338</b>	<b>-</b>	<b>11 883 870</b>	<b>208 238</b>	<b>917 076 057</b>
Cost/Revaluation	118 516 500	81 436 000	915 317 648	-	21 350 673	319 609	1 136 940 430
Accumulated depreciation and impairment losses	-	(2 712 888)	(207 573 310)	-	(9 466 803)	(111 371)	(219 864 373)
Acquisitions	-	-	18 876 093	-	4 829 999	-	23 706 092
Depreciation	-	(2 712 892)	(207 874 916)	-	(7 919 470)	(115 515)	(218 622 793)
Carrying value of disposals	-	-	-	-	<b>(1 116)</b>	-	<b>(1 116)</b>
Cost/Revaluation	-	-	-	-	(2 675)	-	(2 675)
Accumulated depreciation and impairment losses	-	-	-	-	1 559	-	1 559
Other movements	(981 500)	-	-	-	-	-	(981 500)
<b>as at 30 June 2011</b>	<b>117 535 000</b>	<b>76 010 220</b>	<b>518 745 514</b>	<b>-</b>	<b>8 793 283</b>	<b>92 723</b>	<b>721 176 740</b>
Cost/Revaluation	117 535 000	81 436 000	934 193 741	-	26 217 181	403 606	1 159 785 528
Accumulated depreciation and impairment losses	-	(5 425 780)	(415 448 226)	-	(17 423 898)	(310 883)	(438 608 788)

Refer to Appendix B for more detail on property, plant and equipment

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
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6.1 Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R
<b>as at 1 July 2009</b>	<b>118 867 500</b>	<b>81 436 000</b>	<b>915 317 647</b>	<b>-</b>	<b>20 911 214</b>	<b>284 329</b>	<b>1 136 816 690</b>
Cost/Revaluation	14 738 100	-	157 041 249	19 913 857	52 610 214	-	244 303 420
Correction of error (note 34)	(14 738 100)	-	26 337 275	2 269 343	(74 248 357)	-	(60 379 839)
Change in accounting policy (note 33)	118 867 500	81 436 000	731 939 123	(22 183 200)	42 549 357	284 329	952 893 109
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	439 460	35 280	474 740
Depreciation	-	(2 712 888)	(207 573 310)	-	(9 466 803)	(111 371)	(219 864 373)
Transfers	-	-	-	-	-	-	-
*Other movements	(351 000)	-	-	-	-	-	(351 000)
<b>as at 30 June 2010</b>	<b>118 516 500</b>	<b>78 723 112</b>	<b>707 744 338</b>	<b>-</b>	<b>11 883 870</b>	<b>208 238</b>	<b>917 076 057</b>
Cost/Revaluation	118 516 500	81 436 000	915 317 648	-	21 350 673	319 609	1 136 940 430
Accumulated depreciation and impairment losses	-	(2 712 888)	(207 573 310)	-	(9 466 803)	(111 371)	(219 864 373)

Refer to Appendix B for more detail on property, plant and equipment

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
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**6.2 Details of valuation**

The effective date of the revaluations was 1 July 2010. Revaluations were performed by an independent valuers, H Bakker, BCOMPT and a Member of South African Institute of Professional Accountants.

Land and buildings are re-valued independently every 4 years.

The valuation was performed in terms of the draft Asset Management Policy and the assumptions were based on the agreement with the Auditor General.

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
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**7 INTANGIBLE ASSETS**

**7.1 Reconciliation of carrying value**

**Computer Software**  
**R**

<b>as at 1 July 2010</b>	11 241
Cost	11 926
Accumulated amortisation and impairment losses	(685)
Acquisitions	6 884
Amortisation	(3 356)
<b>as at 30 June 2011</b>	<b>14 769</b>
Cost	18 810
Accumulated amortisation and impairment losses	(4 041)

**7.2 Reconciliation of carrying value**

**Computer Software**  
**R**

<b>as at 1 July 2009</b>	-
Cost	-
Acquisitions	11 926
Amortisation	(685)
<b>as at 30 June 2010</b>	<b>11 241</b>
Cost	11 926
Accumulated amortisation and impairment losses	(685)



**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
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	2011 R	2010 R
<b>8 TRADE AND OTHER PAYABLES</b>		
Trade creditors	22 346 039	6 660 873
Other creditors	-	3 224 149
Correction of prior period error	-	37 811 618
<b>Total creditors</b>	<b>22 346 039</b>	<b>47 696 640</b>
The fair value of trade and other payables approximates their carrying amounts.		
<b>9 CONSUMER DEPOSITS</b>		
Electricity and Water	1 608 865	1 697 231
Correction of prior period error	-	(95 872)
<b>Total consumer deposits</b>	<b>1 608 865</b>	<b>1 601 359</b>
<b>10 VAT PAYABLE</b>		
VAT payable	-	11 504 212
Correction of prior period error	-	(22 790)
	-	11 481 422
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.		
<b>11 VAT RECEIVABLE</b>		
VAT receivable	3 227 245	-
	3 227 245	-
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.		
<b>12 PROVISIONS</b>		
Performance bonus	-	503 224
Provision for leave	3 023 262	-
<b>Total Provisions</b>	<b>3 023 262</b>	<b>503 224</b>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Performance bonuses are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date and no present obligation exist.

Provision for landfill sites has not been determined in the current year as the budget for such an exercise was not available.

The movement in current provisions are reconciled as follows: -

	<b>Performance Bonus</b>	<b>Provision for leave</b>
<b>as at 1 July 2010</b>	503 224	-
Contributions to provision	-	3 023 262
Release to Statement of Financial performance	(503 224)	
Expenditure incurred	-	-
<b>as at 30 June 2011</b>	<b>-</b>	<b>3 023 262</b>
<b>as at 1 July 2009</b>	503 224	-
Contributions to provision	-	-
Release to Statement of Financial performance	-	
Expenditure incurred	-	-
<b>as at 30 June 2010</b>	<b>503 224</b>	<b>-</b>
	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>

**13 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**13.1 Unspent Conditional Grants from other spheres of Government**

MIG Grants	2 015 445	6 324 966
Financial Management Grant	238 708	-
Municipal Systems Improvement Grant	184 944	-
Draught Relief	-	(7 709)
Local Government Support Grant	-	41 770
Road Management Grant	-	(54 083)
Daggak Trade Center and Taxi Grant	-	44 885
EPWP Grant	10 839 626	10 848 555
Skills Development Grant	454 102	602 200
Library Grant	-	18 100
Other grants and subsidies	-	129 665
Other	-	-
<b>Total Unspent Conditional Grants and Receipts</b>	<b>13 732 825</b>	<b>17 948 349</b>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Non-current unspent conditional grants and receipts**

**Current portion of unspent conditional grants and receipts**

-	-
13 732 825	17 948 349

See Note 19 for reconciliation of grants and receipts.  
These amounts are invested in ring-fenced investment until utilised.

**14 Finance lease liabilities**

Finance lease liabilities relate photocopying machines leased by the Municipality from outside parties.

	<b>2011</b> <b>R</b>	Present value of minimum payments <b>R</b>	<b>2010</b> <b>R</b>
Minimum lease payments are as follows:			
- Not later than one year	200 213	183 682	313 590
- Later than one year but not later than 5 years	14 014	13 700	214 229
		<b>2011</b> <b>R</b>	<b>2010</b> <b>R</b>

**15 PROPERTY RATES**

**Actual**

Residential	4 181 936	13 722 906
Commercial	7 733 883	-
Light Industries	4 067	-
Heavy Industries	1 132 422	-
State	1 569 695	-
<b>Total property rates</b>	<b>14 622 003</b>	<b>13 722 906</b>

Property rates - penalties imposed and collection charges

	-	-
<b>Total</b>	<b>14 622 003</b>	<b>13 722 906</b>

**Valuations**

Residential	268 233 602	268 233 602
Commercial	99 742 400	99 742 400
State	20 887 800	20 887 800
Non-ratable	8 358 960	8 358 960
Municipal	24 692 300	24 692 300
<b>Total Property Valuations</b>	<b>421 915 062</b>	<b>421 915 062</b>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
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Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.

	2011 R	2010 R
<b>16 SERVICE CHARGES</b>		
Sale of electricity	22 657 978	26 219 728
Sale of water	23 102 416	10 106 702
Refuse removal	6 745 402	9 292 146
Sewerage and sanitation charges	11 566 168	7 896 927
Correction of prior period error	-	(3 379 573)
<b>Total Service Charges</b>	<b>64 071 964</b>	<b>50 135 930</b>
<b>17 RENTAL OF FACILITIES AND EQUIPMENT</b>		
Rental of facilities	571 205	273 652
<b>Total rentals</b>	<b>571 205</b>	<b>273 652</b>
<b>18 INTEREST EARNED - EXTERNAL INVESTMENTS</b>		
Bank - Money market account	1 532 026	-
Bank - Cheque account	389 563	1 421 393
<b>Total interest</b>	<b>1 921 589</b>	<b>1 421 393</b>
<b>19 INTEREST EARNED - OUTSTANDING RECEIVABLES</b>		
Consumer debtors	7 460 000	6 625 236
<b>Total interest</b>	<b>7 460 000</b>	<b>6 625 236</b>
<b>20 GOVERNMENT GRANTS AND SUBSIDIES</b>		
Equitable share	66 690 160	53 536 664
MIG Grant	26 405 520	17 310 000
Other Government Grants and Subsidies	17 369 927	12 740 320
Correction of prior period error	-	(29 750 320)
<b>Total Government Grant and Subsidies</b>	<b>110 465 607</b>	<b>53 836 664</b>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	2011 R	2010 R
<b>20.1 Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
	66 690 160	53 536 664
<b>20.2 MIG Grant</b>		
<b>Balance unspent at beginning of year</b>	6 324 966	2 159 382
Current year receipts	22 096 000	17 310 000
Conditions met - transferred to revenue	(26 405 521)	(13 144 416)
<b>Conditions still to be met - remain liabilities</b>	<b>2 015 445</b>	<b>6 324 966</b>
<i>Infrastructure grants for use towards water and sanitation projects.</i>		
<b>20.3 Financial Management Grant</b>		
<b>Balance unspent at beginning of year</b>	-	92 394
Current year receipts	1 000 000	750 000
Conditions met - transferred to revenue	(761 292)	(842 394)
<b>Conditions still to be met - remain liabilities</b>	<b>238 708</b>	-
<i>For Financial management assistance within the municipality.</i>		
<b>20.4 Municipal Systems Improvement Grant</b>		
<b>Balance unspent at beginning of year</b>	(8 380)	-
Opening balance adjustment	8 380	
Current year receipts	750 000	3 672 000
Conditions met - transferred to revenue	(565 056)	(3 680 380)
<b>Conditions still to be met - remain liabilities</b>	<b>184 944</b>	<b>(8 380)</b>
<i>The grant allocated was utilised towards development and implementation of municipal turn around strategies, strengthening administrative systems for effective implementation of ward participation systems, support interventions of municipality viability, management and improvement of municipal audit outcomes.</i>		

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
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	2011 R	2010 R
<b>20.5 Draught Relief</b>		
<b>Balance unspent at beginning of year</b>	(7 709)	36 504
Transfer to Statement of Financial Performance	7 709	
Current year receipts	-	-
Conditions met - transferred to revenue	-	(44 213)
<b>Conditions still to be met - remain liabilities</b>	<b>-</b>	<b>(7 709)</b>

*Funds to be used towards drought relief purposes only, that is for emergency water provision.*

**20.6 Local Government Support Grant**

<b>Balance unspent at beginning of year</b>	41 770	138 380
Transfer to Statement of Financial Performance	(41 770)	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	(96 610)
<b>Conditions still to be met - remain liabilities</b>	<b>-</b>	<b>41 770</b>

*Funds to be used towards local government activities.*

**20.7 Road Management Grant**

<b>Balance unspent at beginning of year</b>	(54 083)	(54 083)
Transfer to Statement of Financial Performance	54 083	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - remain liabilities</b>	<b>-</b>	<b>(54 083)</b>

*Funds to be used towards road management purposes only.*

**20.8 Daggak Trade Center and Taxi Grant**

<b>Balance unspent at beginning of year</b>	44 885	44 885
Transfer to Statement of Financial Performance	(44 885)	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - remain liabilities</b>	<b>-</b>	<b>44 885</b>

*Funds to be utilised towards construction of Daggakraal Trade Center and Taxi rank and not for any other purposes.*

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
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	2011 R	2010 R
<b>20.9 EPWP Grant</b>		
<b>Balance unspent at beginning of year</b>	10 848 555	10 848 555
Current year receipts	15 741 000	-
Conditions met - transferred to revenue	(15 749 929)	-
<b>Conditions still to be met - remain liabilities</b>	<b>10 839 626</b>	<b>10 848 555</b>

*The current year allocation of R15,068,000 has not been received by the Municipality. The amount has been accrued in the annual financial statements.*

**20.10 Skills Development Grant**

<b>Balance unspent at beginning of year</b>	602 200	602 200
Opening balance adjustment	19 855	
Current year receipts	124 700	-
Conditions met - transferred to revenue	(292 653)	-
<b>Conditions still to be met - remain liabilities</b>	<b>454 102</b>	<b>602 200</b>

*The grant is towards promotion of skills development within the municipality.*

**20.11 Library Grant**

<b>Balance unspent at beginning of year</b>	18 101	2 071
Transfer to Statement of Financial Performance	(18 101)	-
Current year receipts	-	300 000
Conditions met - transferred to revenue	-	(283 970)
<b>Conditions still to be met - remain liabilities</b>	<b>-</b>	<b>18 101</b>

*The grant is towards the improvement of the library.*

**20.12 Other grants and subsidies**

<b>Balance unspent at beginning of year</b>	129 665	129 665
Transfer to Statement of Financial Performance	(129 665)	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - remain liabilities</b>	<b>-</b>	<b>129 665</b>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
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	2011 R	2010 R
<b>21 OTHER INCOME</b>		
<b>21.1 Other income</b>		
Other income	773 051	265 750
Long outstanding items released to the Statement of Financial Performance	18 280 224	-
<b>Total Other Income</b>	<b>19 053 275</b>	<b>265 750</b>
<b>22 EMPLOYEE RELATED COSTS</b>	<b>62 826 774</b>	<b>56 597 144</b>
Employee related costs - Salaries and Wages	38 390 119	34 196 252
Employee related costs - Contributions for UIF, pensions, provident and medical aids	10 136 354	9 734 995
Travel, motor car, accommodation, subsistence and other allowances	1 709 862	846 436
Housing benefits and allowances	150 326	739 060
Overtime payments	5 048 800	3 339 176
Performance and other bonuses	2 616 109	2 087 696
<b>Employee Related Costs</b>	<b>58 051 570</b>	<b>50 943 615</b>
<b>Remuneration of the Municipal Manager</b>		
Annual Remuneration	804 006	1 117 920
Performance- and other bonuses	-	33 894
Travel, motor car, accommodation, subsistence and other allowances	120 000	98 798
Contributions to UIF, Medical and Pension Funds	-	201 089
Correction of prior period error	-	601 906
<b>Total</b>	<b>924 006</b>	<b>2 053 607</b>
<b>Remuneration of the Chief Finance Officer</b>		
Annual Remuneration	718 086	760 970
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	96 000	-
Contributions to UIF, Medical and Pension Funds	-	-
<b>Total</b>	<b>814 086</b>	<b>760 970</b>



**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
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<b>Remuneration of Individual Executive Directors</b>	<b>Planning and Economic Development R</b>	<b>Technical Services R</b>	<b>Corporate Services R</b>	<b>Community and Public Safety Services R</b>
<b>2011</b>				
Annual Remuneration	629 605	674 415	548 239	579 234
Travel, motor car, accommodation, subsistence and other allowances	75 600	42 561	156 000	144 000
Contributions to UIF, Medical and Pension Funds	54 073	42 302	55 039	36 044
<b>Total</b>	<b>759 278</b>	<b>759 278</b>	<b>759 278</b>	<b>759 278</b>

	<b>Planning and Economic Development R</b>	<b>Technical Services R</b>	<b>Corporate Services R</b>	<b>Community Services R</b>
<b>2010</b>				
Annual Remuneration	709 738	709 738	709 738	709 738
Contributions to UIF, Medical and Pension Funds	-	-	-	-
<b>Total</b>	<b>709 738</b>	<b>709 738</b>	<b>709 738</b>	<b>709 738</b>

**2011  
R**                      **2010  
R**

**23 REMUNERATION OF COUNCILLORS**

Executive Mayor	493 641	551 128
Speaker	426 051	449 711
Executive Committee Members	1 074 455	1 201 027
Councillors' pension and medical aid contributions	585 015	809 857
Councillors' allowances	2 828 736	2 857 255
Correction of prior period error	-	(518 489)
<b>Total Councillors' Remuneration</b>	<b>5 407 898</b>	<b>5 350 489</b>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	2011 R	2010 R
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**In-kind Benefits**

The Executive Mayor, Deputy Executive Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support, and security at the cost of the Council.

The Executive Mayor has use of the Council owned vehicle for official duties.

**24 DEPRECIATION AND AMORTISATION EXPENSE**

Property, plant and equipment	218 622 793	219 864 373
Intangible assets	3 356	685
<b>Total Depreciation and Amortisation</b>	<b>218 626 149</b>	<b>219 865 058</b>

**25 FINANCE COSTS**

Lease finance costs	34 777	59 501
<b>Total Finance Costs</b>	<b>34 777</b>	<b>59 501</b>

**26 BULK PURCHASES**

Electricity	21 059 143	18 821 621
Water	1 606 606	67 122
Other	-	1 284 087
<b>Total Bulk Purchases</b>	<b>22 665 749</b>	<b>20 172 830</b>

**27 CONTRACTED SERVICES**

Contracted services for:		
Internal Audit Department	103 523	188 602
Financial services	1 404 092	1 837 533
Traffic protection services	179	-
Electricity general	173 507	317 544
Water reticulation	172 690	186 002
Water purification	626 547	246 057
Swimming pool facilities	34 087	30 043
Building and property	3 640	-
Corporate services	79 337	43 237
	<b>2 597 602</b>	<b>2 849 018</b>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	2011 R	2010 R
<b>28 GRANTS AND SUBSIDIES PAID</b>		
Equitable share	14 489 716	-
MIG funded PMU expenditure	812 770	-
Provincial Library Grant	58 767	243 304
Library programmes	1 980	9 684
	<u>15 363 233</u>	<u>252 988</u>
<b>29 GENERAL EXPENSES</b>		
Included in general expenses are the following:-		
Advertising	251 400	426 982
Admin fees	174	7
Audit fees	1 760 461	2 197 914
Bank charges	179 025	313 109
Bursaries	199 192	14 307
Cleaning	256 476	475 592
Consumables	8 452	6 548
Departmental consumption	3 278 872	20 672
Entertainment	174 757	201 846
Insurance	1 395 133	1 509 962
Legal expenses	207 515	843 407
Licence fees - vehicles	38 923	24 549
Medical aid contribution - Ex Pensioners	490 330	-
Membership fees	472 092	214 741
Postage	567 074	353 006
Printing and stationery	505 114	544 355
Professional fees	455 805	680 912
Rental of buildings	-	1 629
Security costs	3 986 545	3 036 717
Skills development levies	530 451	400 335
Stocks and material	67 326	119 622
Telephone cost	1 229 571	1 158 073
Training	499 203	337 024
Travel and subsistence	1 361 456	1 075 132
Uniforms & overalls	140 804	242 849
Valuation costs	1 377 164	2 729 948
Ward council members	476 500	149 900
Workman's Compensation	400 367	-
Other	13 700 407	9 714 824
	<u><b>34 010 589</b></u>	<u><b>26 793 963</b></u>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
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	2011 R	2010 R
<b>30 ASSET WRITEOFF</b>		
Scrapping of assets	(1 116)	-
	<u>(1 116)</u>	<u>-</u>
<b>31 CASH GENERATED BY OPERATIONS</b>		
Surplus/(deficit) for the year	(169 972 614)	(203 203 266)
Adjustment for:-		
Depreciation and amortisation	218 626 149	219 865 058
Lease finance costs	34 777	59 501
(Gain) / loss on sale of assets	1 116	-
<b>Non-cash movement:</b> Provision for bad debts	23 858 654	16 616 777
EPWP Grant outstanding	(15 068 000)	-
Various non cash items	-	681 158
Long outstanding items released	(3 212 224)	-
PPE movements	981 500	-
Correction of prior period error	-	18 789 663
Contribution to provisions - non-current	3 023 262	8 873 039
<b>Operating surplus before working capital changes:</b>	<u><b>58 272 620</b></u>	<u><b>61 681 930</b></u>
(Increase)/decrease in inventories	(136 527)	5 694 935
(Increase)/decrease in trade receivables	(5 509 244)	(14 482 910)
(Increase)/decrease in other receivables	16 012	(3 005 140)
(Increase)/decrease in VAT receivable	(3 227 245)	332 651
Increase/(decrease) in conditional grants and receipts	(4 215 524)	(8 248 942)
Increase/(decrease) in trade payables	(25 350 601)	(9 884 350)
Decrease in VAT payable	(11 481 422)	-
Increase/(decrease) in consumer deposits	7 506	20 817
Increase/(decrease) in provisions	(503 224)	4 496 189
<b>Cash generated by/(utilised in) operations</b>	<u><b>7 872 350</b></u>	<u><b>36 605 180</b></u>
<b>32 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Bank balances and cash	28 602 346	45 159 780
<b>Net cash and cash equivalents</b>	<u><b>28 602 346</b></u>	<u><b>45 159 780</b></u>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
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**33 CHANGE IN ACCOUNTING POLICY**

The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies:

	2011 R	2010 R
<b>33.1 Statutory Funds</b>		
<b>Balance previously reported: -</b>		
Revaluation Reserve	(52 076 403)	-
Capital Replacement Reserve	(8 873 039)	-
Government Grant Reserve	(67 499 813)	-
Capitalisation Reserve	(35 324 361)	-
Employee Benefit Fund	(680 324)	-
Depreciation Reserve	(26 691 463)	-
<b>Total</b>	<b>(191 145 403)</b>	<b>-</b>
<b>Implementation of GRAP</b>		
Transferred to Accumulated Surplus/(Deficit) (see 34.4 below)	(191 145 403)	-
<b>33.2 Property, plant and equipment</b>		
<b>Balance previously reported</b>	-	183 923 581
<b>Implementation of GRAP</b>		-
Revaluation adjustment	-	952 893 109
<b>Total</b>	<b>-</b>	<b>1 136 816 690</b>
<b>33.3 Accumulated Depreciation</b>		
<b>Balance previously reported -</b>	-	-
<b>Implementation of GRAP</b>		
Depreciation: Land and buildings	(5 425 780)	(2 712 888)
Depreciation: Infrastructure	(415 448 226)	(207 573 310)
Depreciation: Other	(17 617 201)	(9 578 860)
<b>Total (debited to Accumulated Surplus/(Deficit)) (see 34.4 below)</b>	<b>(438 491 207)</b>	<b>(219 865 058)</b>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

	2011 R	2010 R
<b>33.4 Accumulated Surplus/(Deficit)</b>		
<b>Balance previously reported</b>	73 068 402	43 441 684
<b>Implementation of GRAP</b>		
Excessive provisions and reserves no longer permitted (see 34.2 above)	191 145 403	-
Prior period long outstanding items	(681 158)	(681 158)
Current period long outstanding items	18 772 477	-
<b>Operating leases now classified as leases - Reversal of operating lease rentals</b>		
- Reversal of operating lease rentals	637 625	348 507
- Recognition of lease finance costs	(94 278)	(59 501)
Depreciation (see 34.3 above)	(438 491 207)	(219 865 058)
<b>Total</b>	<b>(155 642 736)</b>	<b>(176 815 526)</b>

**34 CORRECTION OF ERROR**

In the previous year, amounts reported in the statement of financial position and statement of financial position did not agree to the amounts in the general ledger. The net effect is disclosed below:

**Statement of Financial Performance**

Net effect of restated amounts	17 053 944
Property rates	13 722 906
Service charges	50 135 930
Rental of facilities and equipment	273 652
Interest earned - current account	1 421 393
Interest earned - outstanding receivables	6 625 236
Fines	191 969
Licences and permits	2 704 404
Government grants and subsidies	53 836 664
Other income	265 750
<b>Expenses</b>	
Employee related costs	(50 943 615)
Remuneration of councillors	(5 350 489)
Repairs and maintenance	(5 412 550)
Bulk purchases	(20 172 830)
Contracted services	(2 849 018)
Grants and subsidies paid	(252 988)
General expenses	(27 142 470)
Net surplus previously reported	17 183 496
Net effect on surplus/(deficit) for the year	129 552

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

<b>Statement of Financial Position</b>	<b>As previously stated in the financial statements</b>	<b>Balances per the general ledger</b>	<b>Difference</b>
Cash and cash equivalents	44 442 820	45 159 780	716 960
Trade and other receivables	42 883 193	63 753 899	20 870 706
Other receivables	15 121 448	20 496 672	5 375 224
Investment property	716 959	-	(716 959)
Long term receivables	79 336	16 012	(63 324)
<b>Liabilities</b>			
Trade and other payables	(23 540 279)	(47 696 640)	(24 156 361)
Consumer deposits	(4 322 356)	(1 601 359)	2 720 997
Current portion of unspent conditional grants and receipts	(7 134 077)	(17 948 349)	(10 814 272)
VAT	(13 503 050)	(11 481 422)	2 021 628
Reserves	(172 396 138)	(190 815 670)	(18 419 532)
Accumulated (deficit) surplus	(46 363 173)	(43 229 904)	3 133 269
Net effect on Statement of Financial Position			<u>(19 331 665)</u>
Net effect on Accumulated surplus opening balance			<u><u>(19 202 114)</u></u>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

	2011 R	2010 R
<b>35 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>35.1 Contributions to organised local government</b>		
Opening balance		
Council subscriptions	37 761	-
Amount paid - current	(37 761)	-
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>
<b>35.2 Audit fees</b>		
Opening balance		
Current year audit fee	1 772 434	2 197 914
Amount paid - current year	(1 468 027)	(2 197 914)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>304 407</b>	<b>-</b>
<b>35.3 VAT</b>		
VAT input receivables and VAT output payables are shown in note 11. All VAT returns have been submitted by the due date throughout the year.		
<b>35.4 PAYE and UIF</b>		
Opening balance	501 908	-
Current year payroll deductions	7 721 635	7 181 351
Amount paid - current year	(7 597 621)	(7 181 351)
Amount paid - previous years	-	-
Correction of prior period error	-	501 908
<b>Balance unpaid (included in payables)</b>	<b>625 922</b>	<b>501 908</b>

The balance represents PAYE and UIF deducted from the June 2011 payroll. These amounts were paid during July 2011.



**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

	2011 R	2010 R
<b>35.5 Pension and Medical Aid Deductions</b>		
Opening balance	990 932	-
Current year payroll deductions and Council Contributions	15 574 803	-
Amount paid - current year	(15 186 552)	-
Amount paid - previous years	-	-
Correction of prior period error	-	990 932
<b>Balance unpaid (included in payables)</b>	<b>1 379 183</b>	<b>990 932</b>

The balance represents pension and medical aid contributions deducted from employees in the June 2011 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2012.

**35.6 Councillor's arrear consumer accounts**

The following Councillors had arrear accounts outstanding for more than 90 days as at: -

	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R
<b>as at 30 June 2011</b>			
ZH Luhlanga	3 807	277	3 530
PV Malatsi	751	108	643
EM Madontsela	105 588	10 105	95 483
NE Hlakutse	169	169	-
N Kula	600	135	465
FD Lotz	8 932	2 880	6 052
BW Mbatha	5 926	4 383	1 543
MS Msibi	1 251	675	576
SN Nxumalo	427	427	-
L Dejager	894	894	-
ZE Dlodlu	359	27	332
VE Ntshalintshali	2 094	95	1 999
TP Dakile	1 762	672	1 090
CH Du Plooy	162	162	-
<b>Total Councillor Arrear Consumer Accounts</b>	<b>132 722</b>	<b>21 009</b>	<b>111 713</b>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

**as at 30 June 2010**

ZH Luhlanga	2 683	228	2 455
PV Malatsi	345	90	255
EM Madontsela	69 203	9 278	59 925
NE Hlakutse	135	135	-
FD Lotz	4 462	1 908	2 554
TS Mavimbela	118	118	-
BW Mbatha	18 592	2 746	15 846
MS Msibi	2 464	634	1 830
GS Ngwenya	1 179	43	1 136
SN Nxumalo	386	386	-
CH Du Plooy	142	142	-
<b>Total Councillor Arrear Consumer Accounts</b>	<b>99 709</b>	<b>15 708</b>	<b>84 001</b>

**2011**  
**R**                      **2010**  
**R**

**36 CAPITAL COMMITMENTS**

**36.1 Commitments in respect of capital expenditure**

<b>- Approved and contracted for</b>	<b>8 514 899</b>	<b>8 096 901</b>
Infrastructure	8 514 899	7 096 901
Other	-	1 000 000
<b>- Approved but not yet contracted for</b>	<b>19 780 000</b>	<b>42 456 000</b>
Infrastructure	19 780 000	33 896 000
Other	-	8 560 000
<b>Total</b>	<b>28 294 899</b>	<b>50 552 901</b>

This expenditure will be financed from:

- Asset Financing Reserves	-	20 360 000
- Government Grants	28 294 899	22 096 000
	<b>28 294 899</b>	<b>42 456 000</b>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

**37 RETIREMENT BENEFIT INFORMATION**

**37.1 Defined contribution plan**

The following are defined contribution plans:

1. Municipal Gratuity Fund
2. Joint Municipal Pension Fund
3. SALA Pension Fund
3. Municipal Pension Fund
4. Councillors Pension Fund

Council's contributions are a benefit to the members and cannot be refunded to Council.

These contributions have been expensed.

	2011 R	2010 R
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**38 CONTINGENT LIABILITY**

<b>38.1</b> Claim for service rendered (DWAF)	42 452 402	25 763 764
---	------------	------------

The Municipality is in dispute with the Department of Water Affairs and Forestry (DWAF) over the invoices submitted by DWAF for the payment of water. The Municipality is disputing the claim on the basis that there is no evidence supporting the amount being invoiced by DWAF.

<b>38.2</b> Claim for damages (Nicolas Soldatos)	10 099 995	-
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Legal proceedings have been instituted against the Municipality over the death of Nicolas Soldatos, who has left three dependants behind.

<b>38.3</b> Claim for service rendered (Human Broeers Beherend)	73 071	-
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Legal proceeding instituted against the Municipality by Human Broeers Beherend regarding unpaid due for work performed for the Municipality.

<b>38.4</b> Claim for damages (Unmarked bridge)	58 700	-
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Claim for damages caused as a result of an unmarked bridge and road works by Barry Roberts.

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2011**

	2011 R	2010 R
<b>39 CONTINGENT ASSETS</b>		
The Municipality has made a claim against JF Buthelezi and L Ndaba for misappropriation of funds . The Municipality is of the opinion that the amounts are probable to be recovered.		
JF Buthelezi	1 358 730	1 358 730
L Ndada	159 900	11 030
	<b>1 518 630</b>	<b>1 369 760</b>

**40 RELATED PARTIES**

Post employment benefit plan for employees of municipality and/or other related parties.

Compensation to councillors and other key management (refer to note 22 & 23).

**41 RISK MANAGEMENT**

**41.1 Maximum credit risk exposure**

Credit risk consists mainly of cash deposits, cash equivalents and consumer debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Consumer debtors comprise a widespread community base. The Municipality manages its credit risk through payment of deposits and disconnection in the case of non-payment.

Financial assets exposed to credit risk at year end were as follows:

Standard Bank Limited	-	-
First National Bank Limited	28 602 346	2 558 973
Trade and other receivables	92 972 039	80 370 676

These balances represent the maximum exposure to credit risk.

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2011

**2011**  
**R**

**2010**  
**R**

**41.2 Liquidity risk**

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<b>Not later than one month</b>	<b>Later than one month and not later than three months</b>	<b>Later than three months and not later than one year</b>	<b>Later than one year and not later than five years</b>
<b>2011</b>				
Gross finance lease obligations	29 031	57 154	121 751	14 928
Trade and other payables	22 346 039	-	-	-
Other	1 278 474	2 556 948	11 506 268	-
<b>2010</b>				
Gross finance lease obligations	29 031	58 061	261 275	222 859
Trade and other payables	47 696 640	-	-	-
Other	2 585 928	5 171 855	23 273 348	-

**41.3 Interest rate risk**

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**

**APPENDIX A**

**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**

as at 30 June 2011

	Cost / Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Disposals	Other	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance	
	R	R	R		R	R	R	R	R	R
<b>Land</b>										
Land	118 516 500	-	-	(981 500)	117 535 000	-	-	-	-	117 535 000
Landfill Sites	-	-	-		-	-	-	-	-	-
	118 516 500	-	-	(981 500)	117 535 000	-	-	-	-	117 535 000
<b>Buildings</b>	81 436 000	-	-		81 436 000	(2 712 888)	(2 712 892)	-	(5 425 780)	76 010 220
<b>Infrastructure</b>										
Drains	-	-	-		-	-	-	-	-	-
Roads	736 251 202	8 688 293	-		744 939 495	(190 919 357)	(191 027 511)	-	(381 946 868)	362 992 627
Sewerage Mains & Purification	32 333 970	6 354 917	-		38 688 887	(3 722 361)	(3 918 857)	-	(7 641 218)	31 047 669
Electricity Mains	-	3 785 285	-		3 785 285	-	(262)	-	(262)	3 785 022
Electricity Peak Load Equip	98 213 661	-	-		98 213 661	(7 654 119)	(7 652 938)	-	(15 307 057)	82 906 604
Water Mains & Purification	38 804 674	-	-		38 804 674	(4 152 704)	(4 148 002)	-	(8 300 706)	30 503 968
Reservoirs – Water	4 500 000	-	-		4 500 000	(550 442)	(550 442)	-	(1 100 884)	3 399 116
Water Mains		47 599			47 599		(2 577)		(2 577)	45 022
Water Meters	5 214 140	-	-		5 214 140	(574 328)	(574 328)	-	(1 148 655)	4 065 485
	915 317 648	18 876 093	-	-	934 193 741	(207 573 310)	(207 874 916)	-	(415 448 226)	518 745 514
<b>Community Assets</b>										
<b>Total carried forward</b>	1 115 270 148	18 876 093	-	(981 500)	1 133 164 741	(210 286 198)	(210 587 808)	-	(420 874 007)	712 290 734

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**

**APPENDIX A**

**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**

as at 30 June 2011

	Cost / Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Disposals	Other	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance	
	R	R	R		R	R	R	R	R	R
<b>Total brought forward</b>	1 115 270 148	18 876 093	-		1 133 164 741	(210 286 198)	(210 587 808)	-	(420 874 007)	712 290 734
<b>Other Assets</b>										
Furniture Fittings	7 816 067	686 108	-		8 502 176	(1 933 378)	(1 929 659)	-	(3 863 037)	4 639 139
Bins and Containers	3 735	14 079	-		17 814	(1 580)	(2 292)	-	(3 872)	13 942
Motor Vehicles	12 350 634	3 886 559	-		16 237 193	(7 153 986)	(5 090 765)	-	(12 244 751)	3 992 442
Specialised Vehicles	162 721	-	-		162 721	(102 404)	(60 318)	-	(162 722)	(1)
Military Equipment	34 246	-	-		34 246	(11 060)	(11 060)	-	(22 119)	12 127
Refuse Tankers	33 000	-	-		33 000	-	-	-	-	33 000
Computer Equipment	989 454	243 252	(2 675)		1 230 031	(303 005)	(824 281)	1 559	(1 125 726)	104 305
Conservancy Tankers	-	-	-		-	(576)	(1 095)	-	(1 671)	(1 671)
	21 389 857	4 829 999	(2 675)		26 217 181	(9 505 987)	(7 919 470)	1 559	(17 423 898)	8 793 283
<b>Finance Lease Assets</b>										
Office Equipment	403 606	-	-		403 606	(195 368)	(115 515)	-	(310 883)	92 723
	403 606	-	-		403 606	(195 368)	(115 515)	-	(310 883)	92 723
<b>Total</b>	<b>1 137 063 611</b>	<b>23 706 092</b>	<b>(2 675)</b>	<b>-</b>	<b>1 159 785 528</b>	<b>(219 987 554)</b>	<b>(218 622 793)</b>	<b>1 559</b>	<b>(438 608 788)</b>	<b>721 176 740</b>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**

**APPENDIX A**

**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**

as at 30 June 2010

	Cost / Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Disposals	Other	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
<b>Land</b>										
Land	118 867 500	-	-	(351 000)	118 516 500	-	-	-	-	118 516 500
Landfill Sites		-	-		-	-	-	-	-	-
	118 867 500	-	-		118 516 500	-	-	-	-	118 516 500
<b>Buildings</b>	81 436 000	-	-		81 436 000	(2 712 888)	-	-	(2 712 888)	78 723 112
<b>Infrastructure</b>										
Drains	-	-	-		-	-	-	-	-	-
Roads	736 251 202	-	-		736 251 202	(190 919 357)	-	-	(190 919 357)	545 331 846
Sewerage Mains & Purification	32 333 970	-	-		32 333 970	(3 722 361)	-	-	(3 722 361)	28 611 609
Electricity Mains		-	-		-	-	-	-	-	-
Electricity Peak Load Equip	98 213 661	-	-		98 213 661	(7 654 119)	-	-	(7 654 119)	90 559 542
Water Mains & Purification	38 804 674		-		38 804 674	(4 152 704)	-	-	(4 152 704)	34 651 971
Reservoirs – Water	4 500 000	-	-		4 500 000	(550 442)	-	-	(550 442)	3 949 558
Water Meters	5 214 140	-	-		5 214 140	(574 328)	-	-	(574 328)	4 639 813
	915 317 648	-	-		915 317 648	(207 573 310)	-	-	(207 573 310)	707 744 338
<b>Community Assets</b>										
<b>Heritage Assets</b>										
<b>Total carried forward</b>	1 115 621 148	-	-	-	1 115 270 148	(210 286 198)	-	-	(210 286 198)	904 983 950



**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**

**APPENDIX A**

**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**

as at 30 June 2010

	Cost / Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Disposals	Other	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance	
	R	R	R		R	R	R	R	R	R
<b>Total brought forward</b>	1 115 621 148	-	-		1 115 270 148	-	(210 286 198)	-	(210 286 198)	904 983 950
<b>Other Assets</b>										
Furniture Fittings	7 647 396	168 671			7 816 067	(6 435)	(1 926 943)		(1 933 378)	5 882 690
Bins and Containers	3 735				3 735	-	(1 580)		(1 580)	2 155
Motor Vehicles	12 350 634				12 350 634	-	(7 153 986)		(7 153 986)	5 196 648
Fire Engines	-				-	-	-		-	-
Specialised Vehicles	162 721				162 721	-	(102 404)		(102 404)	60 317
Military Equipment	34 246				34 246	-	(11 060)		(11 060)	23 186
Refuse Tankers	-	33 000	-		33 000	-	-	-	-	33 000
Computer Equipment	751 666	237 788			989 454	(32 749)	(270 256)		(303 005)	686 450
Conservancy Tankers	-	-	-		-	-	(576)	-	(576)	(576)
					-				-	-
	20 950 398	439 460	-		21 389 857	(39 184)	(9 466 803)	-	(9 505 987)	11 883 870
<b>Finance Lease Assets</b>										
Office Equipment										
	368 326	35 280	-		403 606	(83 997)	(111 371)	-	(195 368)	208 238
	368 326	35 280	-		403 606	(83 997)	(111 371)	-	(195 368)	208 238
<b>Total</b>	<b>1 136 939 871</b>	<b>474 740</b>	<b>-</b>	<b>-</b>	<b>1 137 063 611</b>	<b>(123 181)</b>	<b>(219 864 373)</b>	<b>-</b>	<b>(219 987 554)</b>	<b>917 076 057</b>

**DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY**  
**APPENDIX B**  
**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT**  
as at 30 June 2011

	Cost / Revaluation					Accumulated Depreciation				Carrying value
	Opening Balance	Additions	Disposals	Other	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Executive & Council	459 007	939	(2 675)		457 271	(90 757)	(120 115)	1 559	(209 312)	247 959
Finance & Admin	2 247 215	4 669 279	-	-	6 916 494	(808 809)	(1 769 723)	-	(2 578 532)	4 337 963
Planning & Development	147 581	5 813	-	-	153 394	(43 890)	(27 043)	-	(70 933)	82 460
Community & Social Services	1 641 646	830	-	-	1 642 476	(503 343)	(434 456)	-	(937 798)	704 677
Public Safety	8 472 580	428	-	-	8 473 008	(3 702 749)	(3 398 765)	-	(7 101 514)	1 371 494
Sport & Recreation	1 230 373	-	-	-	1 230 373	(707 299)	(451 418)	-	(1 158 717)	71 656
Waste Management	79 934 837	6 377 291	-	-	86 312 128	(9 737 284)	(9 677 991)	-	(19 415 275)	66 896 853
Road Transport	730 271 814	8 689 043	-	-	738 960 857	(188 305 015)	(188 371 817)	-	(376 676 832)	362 284 025
Electricity	100 224 910	3 801 957	-	-	104 026 867	(8 040 433)	(7 955 048)	-	(15 995 481)	88 031 387
Other	212 472 943	121 215	-	(981 500)	211 612 658	(8 047 975)	(6 416 418)	-	(14 464 393)	197 148 265
<b>Total</b>	<b>1 137 102 906</b>	<b>23 666 795</b>	<b>(2 675)</b>	<b>(981 500)</b>	<b>1 159 785 527</b>	<b>(219 987 553)</b>	<b>(218 622 793)</b>	<b>1 559</b>	<b>(438 608 786)</b>	<b>721 176 740</b>

**PIXLEY SEME LOCAL MUNICIPALITY**  
**APPENDIX D**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ended 30 June 2011

<b>2010 Actual Income</b>	<b>2010 Actual Expenditure</b>	<b>2010 Surplus / (Deficit)</b>		<b>2011 Actual Income</b>	<b>2011 Actual Expenditure</b>	<b>2011 Surplus / (Deficit)</b>
<b>R</b>	<b>R</b>	<b>R</b>		<b>R</b>	<b>R</b>	<b>R</b>
-	2 390 854	(2 390 854)	Executive & Council	-	2 255 352	(2 255 352)
75 322 083	248 261 866	(172 939 783)	Finance & Admin	153 121 363	292 640 619	(139 519 256)
69 556	11 616 012	(11 546 456)	Planning & Development	62 875	14 420 327	(14 357 452)
3 304 960	12 729 765	(9 424 804)	Community & Social Services	3 485 361	15 946 074	(12 460 713)
258 478	2 797 264	(2 538 786)	Public works	568 632	3 268 916	(2 700 284)
32 354	3 384 219	(3 351 865)	Sport & Recreation	22 279	3 764 400	(3 742 121)
7 896 927	4 275 400	3 621 527	Sewerage	11 566 168	4 718 140	6 848 028
5 645 060	5 656 829	(11 770)	Waste Management	6 745 402	6 163 786	581 616
54 543	12 480 195	(12 425 652)	Road Transport	155 509	12 386 526	(12 231 017)
10 225 880	5 706 544	4 519 336	Water	23 102 416	8 004 770	15 097 646
26 368 064	23 082 221	3 285 842	Electricity	22 727 157	27 960 866	(5 233 709)
		-	Other	-	-	-
<b>129 177 904</b>	<b>332 381 170</b>	<b>(203 203 266)</b>		<b>221 557 162</b>	<b>391 529 776</b>	<b>(169 972 614)</b>
			Less: Inter- Department Charges			
-	-	-		-	-	-
<b>129 177 904</b>	<b>332 381 170</b>	<b>(203 203 266)</b>	<b>Total</b>	<b>221 557 162</b>	<b>391 529 776</b>	<b>(169 972 614)</b>

## DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY

## APPENDIX D

## STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION

as at 30 June 2011

Description	Original Budget	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)	Virement (i.t.o. Council Approved By- law)	Final Budget	Actual Income	Unauthorised Expenditure	Variance	Actual Income As % Of Final Budget	Actual Outcome As % Of Original Budget
	1	2	3	4	5	6	7	8	9
<b>Financial Performance</b>	R	R	R	R	R	R	R	R	R
Property Rates	13 324 000	-		13 324 000	14 622 003		1 298 003	110%	110%
Service Charges	53 277 896	-		53 277 896	64 071 964		10 794 068	120%	120%
Interest income	10 500 000			10 500 000	9 381 589		-1 118 411	89%	89%
Transfers Recognised - Operational	2 220 000			2 220 000	-		-2 220 000	0%	0%
Other Own Revenue	82 724 182			82 724 182	133 481 606		50 757 424	161%	161%
<b>Total Revenue (Excluding Capital Transfers &amp; Contributions)</b>	162 046 078	-	-	162 046 078	221 557 162	-	59 511 084	137%	137%
Employee Costs	59 901 608			59 901 608	58 016 577		-1 885 031	97%	97%
Remuneration Of Councillors	5 543 900			5 543 900	5 407 898		-136 002	98%	98%
Contracted services	6 727 800			6 727 800	2 597 602		-4 130 198	39%	39%
Depreciation & Asset Impairment	12 675 874			12 675 874	218 626 149		205 950 275	1725%	1725%
Provisions	35 864 556			35 864 556	27 529 432		-8 335 124	77%	77%
Materials & Bulk Purchases	25 284 098			25 284 098	22 665 749		-2 618 349	90%	90%
Repairs and maintenance	11 880 030			11 880 030	6 445 651		-5 434 379	54%	54%
Other Expenditures	16 776 638			16 776 638	50 240 718		33 464 080	299%	299%
<b>Total Expenditure</b>	174 654 504	-	-	174 654 504	391 529 776	-	216 875 272	224%	224%
<b>Surplus/(Deficit)</b>	-12 608 426	-	-	-12 608 426	-169 972 614	-	-157 364 188	1348%	1348%
Transfers Recognised - Capital									
Contributions Recognised - Capital & Contributed Assets									
<b>Surplus/(Deficit) After Capital Transfers &amp; Contributions</b>	-12 608 426	-	-	-12 608 426	-169 972 614	-	-157 364 188	1348%	1348%
Share Of Surplus/(Deficit) Of Associate									
<b>Surplus/(Deficit For The Year)</b>	-12 608 426	-	-	-12 608 426	-169 972 614	-	-157 364 188	1348%	1348%
<b>Capital Expenditure &amp; Funds Sources</b>									
<b>Capital Expenditure</b>									
Transfers Recognised - Capital									
Public Contributions & Donations									
Borrowing									
Internally Generated Funds									
<b>Total Sources Of Capital Funds</b>	-	-	-	-	-	-	-	-	-
<b>Cash flows</b>									
Net Cash From (Used) Operating					53 032 130				
Net Cash From (Used) Investing					-24 081 415				
Net Cash From (Used) Financing					-348 369				
<b>Cash/Cash Equivalents At The Year End</b>	-	-	-	-	28 602 346	-	-	-	-